AT RICHMOND, MAY 18, 2000

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION CASE NO. PUE980813

Ex Parte: In the matter of considering an electricity retail access pilot program-Virginia Electric and Power Company

ORDER ON PETITION FOR RECONSIDERATION

On April 28, 2000, the Commission entered a Final Order in this case. On May 11, 2000, Virginia Electric and Power Company ("Virginia Power") filed a Petition for Reconsideration of said Order. For the reasons set forth below, we find no grounds in said Petition to grant such reconsideration.

The Petition does not request any change in the operative features of the pilot program approved by our Final Order. Rather, it focuses on the amendment to Va. Code § 56-583 A made by the 2000 session of the General Assembly and how that amendment may affect the determination of the projected market price for its generation when the Commonwealth enters the era of full retail choice. The amendment, effective July 1, 2000, provides:

> The projected market prices for generation, when determined under this subsection, shall be adjusted for any projected cost of transmission, transmission line losses, and ancillary services subject to the jurisdiction of the Federal Energy Regulatory Commission which the incumbent electric utility (i) must incur to sell its generation

and (ii) cannot otherwise recover in rates subject to state or federal jurisdiction.

That amendment will allow companies such as Virginia Power to adduce evidence of any transmission-related costs that they contend fit the statutory criteria stated above, and to allow other parties to respond to such evidence, as a factor in setting the projected market price for generation, which is a key component of the wires charge. As such, the amendment settles the argument that the previous version of the statute, referring as it did only to the "projected market price for generation," left no room for consideration of transmission-related matters. Further, the amendment makes clear that if the criteria specified therein are satisfied, then the Commission must make the adjustment to the projected market prices for generation envisioned by the statute.

The study we mandated on page 26 of our Final Order seems well-suited to the purposes of the above amendment. That study should provide data to help answer questions such as (i) what is the utility's projected cost of transmission, transmission line losses, and ancillary services, both in and out of system, to sell generation freed up by shopping customers, (ii) must the utility incur this cost to sell its generation, and (iii) are such costs recoverable in rates subject to state or federal jurisdiction? Thus, we believe that the study is appropriate to help effectuate the new amendment, and will further its goals.

The Petition contends that the determination of the magnitude of these projected costs is a simple matter:

> The transmission related charges are contained in tariffs filed with the FERC by transmission utilities. As such, they are known and certain...and no study or detailed reports as to the magnitude or basis of such out-of-system costs is required.

Petition, pp. 3 & 4.

The tariffs are indeed publicly available, but they typically contain a number of options for those who utilize them. For example, service can be firm or non-firm, and is priced for varying time periods, such as hourly, daily, weekly, or monthly. Pricing discounts may also be negotiated between the provider and the user.

Given these and other possible variables, determining projected costs for transmission-related issues may be a more complex exercise than simply looking up a single figure in a tariff and applying that number across the board. For example, parties may differ as to which options under these tariffs should be chosen, and what other assumptions should be made, in performing the necessary projections.

As we stated in our Final Order, costs of transmission, transmission line losses and ancillary services will not be part of the determination of the projected market price of generation for the pilot. There was not sufficient evidence of any such costs related to the pilot program, whether in-system or out-of-system, in the record in this case. However, no party should

interpret our failure to allow such costs here to be precedent for the treatment of similar issues beyond the pilot period.

With respect to the new statute, it was passed months after the record in this case was closed. We cannot now, without notice, hearing or record, determine how the statute should be applied to future situations. As we stated in our Final Order, Virginia Power and others will be given ample opportunity to present their case on these issues, and we will make the determinations required by the statute, prior to the advent of full retail competition.

Accordingly, IT IS ORDERED THAT:

(1) The Petition for Reconsideration is hereby denied, for the reasons stated herein.

(2) As noted in our Final Order of April 28, 2000, this matter shall remain open for the receipt of reports by Virginia Power and for other matters concerning the Pilot Program, as they may arise.